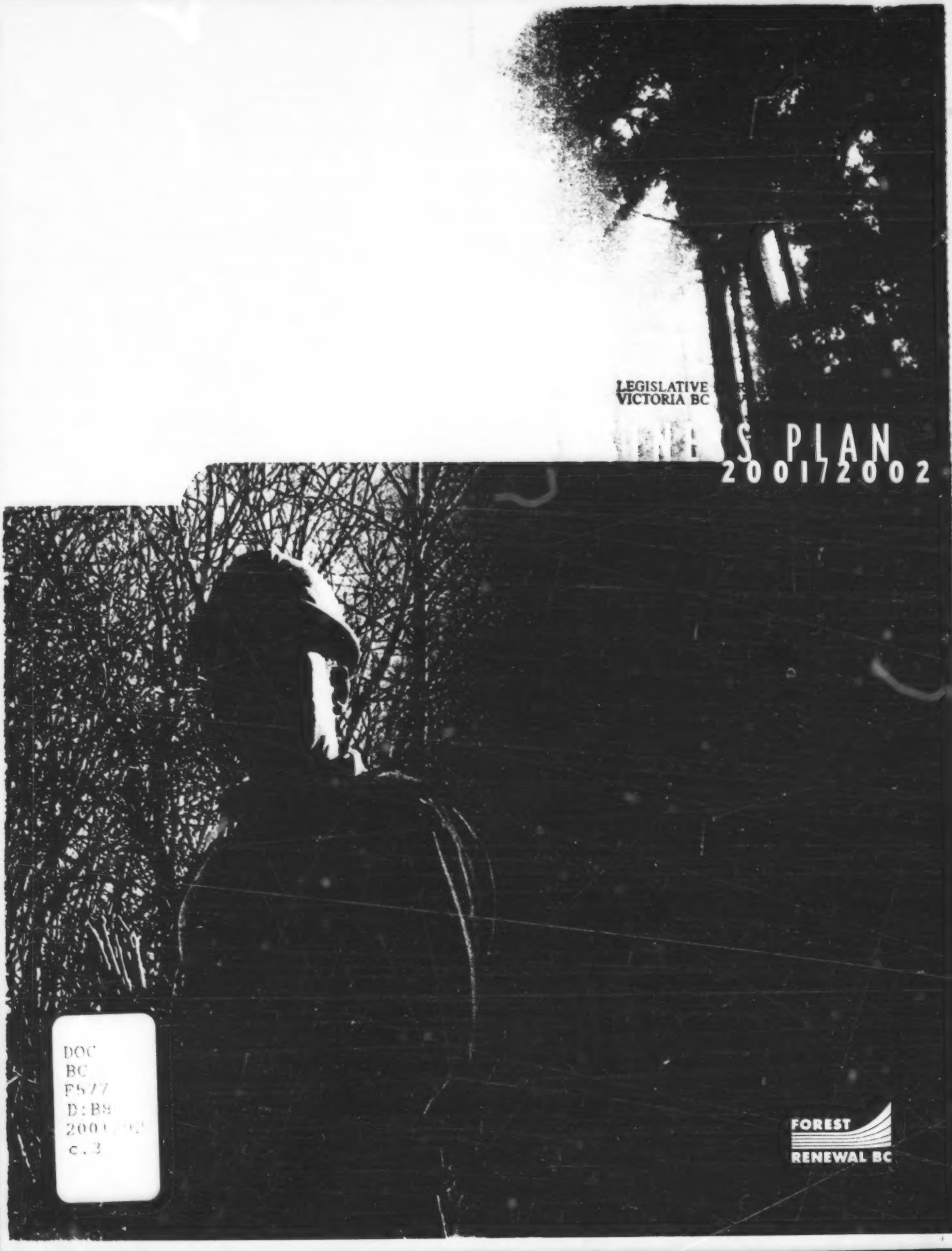

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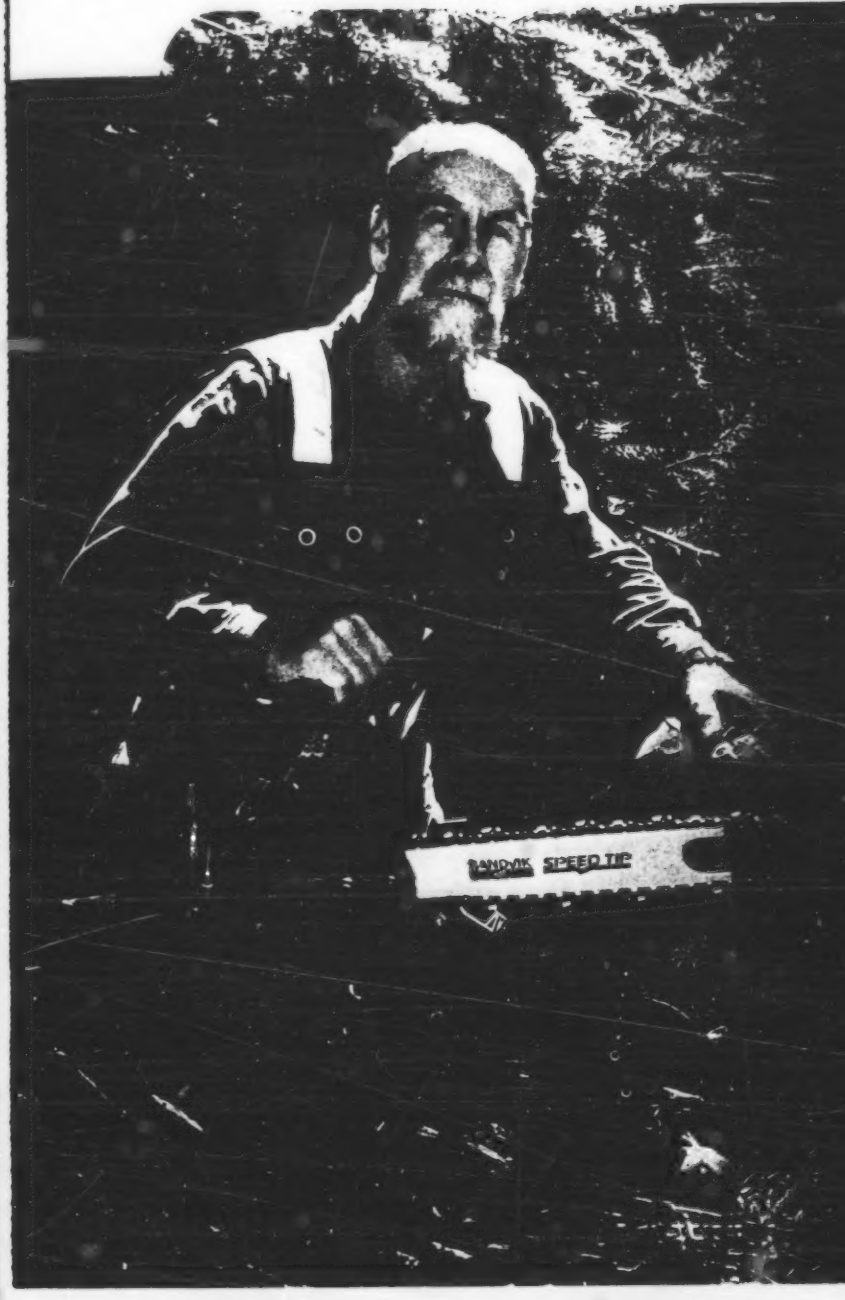

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MESSAGE FROM THE MINISTER

Investments are essentially about one thing—results. By this most important measure, Forest Renewal BC has embodied, since 1994, a sound investment in British Columbia. In that time, Forest Renewal BC's program of planning and investments has contributed to a broad range of significant and measurable results. They include healthier second-growth forests, restored watersheds, new knowledge for better forest management, sustained communities, and a growing value-added sector.

But these accomplishments do not flow from the work of Forest Renewal BC alone. They are made possible because Forest Renewal BC is a partnership of British Columbians—forest companies, communities, environmental groups, First Nations, forest-sector associations, small businesses, and government—coming together to contribute ideas, resources, and real work to a shared purpose.

Building that partnership has been key from the very beginning. It still is. And the partnership is still evolving. Responding to extensive consultations with forest communities and forest-sector partners last fall, Forest Renewal BC is making changes this year to ensure that communities have a greater say in regional investment decision-making. Those changes will strengthen the partnership and, ultimately, the communities.

A strong Forest Renewal BC partnership is good for British Columbia. Investing in forest renewal pays off—in a renewed forest-sector economy, stronger communities, and a healthier forest environment for generations to come.

Honourable Gordon Wilson
Minister of Forests

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER AND CHAIR OF THE BOARD

Forest Renewal BC's *Business Plan 2001/02* leads us into the third year of our five-year, performance-based strategic plan. With planned program investments of $279 million, we will continue to focus on investments to grow more high-value timber, fill knowledge gaps to improve forest management decision-making, restore the forest environment, and implement our industry-driven Value-added Strategy.

These investments help provide a degree of certainty for the forest sector, as they have done since Forest Renewal BC was launched in 1994. This added stability has been particularly important through the recent up-and-down cycles of the forest economy.

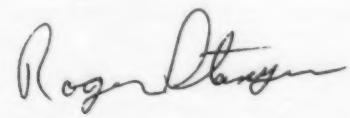
The coming year will be much the same, as the B.C. forest industry continues to cope with volatile and difficult market forces. Concerns include low lumber prices, uncertainty about what will replace the Canada/U.S. Softwood Lumber Agreement with our largest trading partner, and the effect of changes to the provincial stumpage system with the piloting of a new market-based pricing formula.

These factors will have an enormous impact on Forest Renewal BC's investment revenues, since our funding comes from stumpage fees. To safeguard against future uncertainties, Forest Renewal BC established the Reserve for Program Continuity in 1996, putting aside savings for years when revenue did not match expenditures. In 2001/02, as in 2000/01, we will draw heavily on that "rainy day" fund to maintain a consistent level of investments and meet our program commitments.

This year, we will continue to make changes that strengthen community participation and regional accountability in our investment decisions. Already, all provincial politicians have been removed from the board of directors—the body that sets strategic priorities and reviews and approves investment and operational plans—and replaced with new members who provide a stronger regional and community voice.

In addition, several board members will be designated as regional representatives, to help channel direct community input into the work of the board and its advisory committees. A regional advisory process, co-chaired by regional board members, will be re-established. And community groups will be invited to participate in pilot projects that allow communities to enter into agreements with Forest Renewal BC to manage local non-land-based investments.

Our more strategic approach to planning and investment is working. With our partners, we have produced good results to date, and we are well on our way to achieving the long-term targets established in our *Strategic Plan 1999 – 2003*. The changes we have planned this year will make the Forest Renewal BC partnership stronger. Coupled with our investments, and their forecast benefits, these efforts will move us even closer to our goals.



Roger Stanyer
Chief Executive Officer
and Chair of the Board

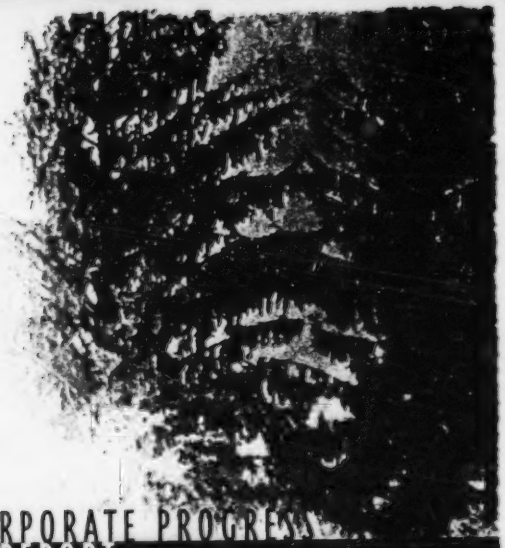
INTRODUCTION

IN 1994, THE B.C. GOVERNMENT UNVEILED THE FOREST RENEWAL PLAN –A LONG-TERM STRATEGY TO RENEW THE PROVINCE'S FORESTS. THE PLAN INCLUDED THE CREATION OF FOREST RENEWAL BC, A NEW CROWN AGENCY TO DIRECT AND MANAGE A PROGRAM OF INVESTMENTS THAT WOULD RENEW B.C.'S FORESTS AND FOREST ECONOMY.

Created through consultation with a spectrum of forest-sector stakeholders, Forest Renewal BC is a unique partnership of forest companies, workers, environmental groups, First Nations, communities and government. This partnership is reflected in the membership of Forest Renewal BC's board of directors and advisory committees, and it defines the corporation's core values and operating philosophy.

Forest Renewal BC's revenues come from a portion of the stumpage fees collected for timber harvesting on public forest lands. With that revenue, Forest Renewal BC makes strategic investments to renew the forests, improve forest management knowledge, support forest-dependent communities and workers, and expand the value-added sector. The corporation is organized into three operational business units—Forests and Environment, Workforce and Communities, and Value-added—and three corporate units—Finance and Corporate Services, Corporate Planning and Evaluation, and Communications.

This is Forest Renewal BC's seventh annual business plan, and the third in support of its *Strategic Plan 1999 – 2003*. It outlines



CORPORATE PROGRESS REPORT

the corporation's priorities, key corporate initiatives, and investment strategies for the 2001/02 fiscal year. It also includes the corporation's fiscal plan for 2001/02, and an overview of its financial status. The performance planning aspects of this business plan respond to the requirements of the *Budget Transparency and Accountability Act*, enacted in July 2000, which established an accountability framework and performance-reporting structure for ministries and other government organizations.

Over the past three years, Forest Renewal BC has laid the groundwork to become a performance-based, results-oriented organization. Performance-management systems are now in operation throughout the corporation. Major structural and business changes have now been fully integrated. The corporation's subsidiary, New Forest Opportunities Ltd., is in the process of obtaining International Standards Organization (ISO) 9000 quality assurance certification.

Forest Renewal BC's strategic plan included performance measures for each of the corporation's seven strategic objectives. The corporation is continuing to develop and refine performance measures and reporting processes. For example, it will continue to develop internal investment analysis tools to help staff select the most appropriate investment opportunities, and an evaluation plan is in place to support ongoing performance monitoring.

IN ITS FIRST SEVEN YEARS OF OPERATIONS, FOREST RENEWAL BC MADE A SIGNIFICANT CONTRIBUTION TO B.C.'S FORESTS AND THE WORKERS AND COMMUNITIES WHO RELY ON THEM. DURING THAT TIME, THE CORPORATION HAD TO CONTINUALLY ADAPT TO RAPIDLY CHANGING CONDITIONS AND PRIORITIES IN THE FOREST SECTOR.

Reporting from forest companies and other Forest Renewal BC partners on the delivery of investments suggests that 2000/01 has been another successful year of meeting strategic objective targets. The earliest year-end reports indicate that actual 2000/01 investment expenditures will be slightly below the levels predicted in the *Business Plan 2000/01*.

The *Business Plan 2000/01* provided for investments of $51.4 million to increase the productivity of second growth forests, and $56.6 million to increase forest growing area through backlog silviculture treatments. Reporting indicates that these investments will add just more than 5 million cubic metres (m^3) to the timber available for potential future

harvest, which means that Forest Renewal BC is on track to achieve its five-year target of 25 million m^3.

Investments of $55.1 million were planned to enhance environmental values through watershed restoration activities during 2000/01. As stated in the *Strategic Plan 1999–2003*, Forest Renewal BC began, during 2000/01, to shift a larger portion of its investments to the top 20 per cent of highest-priority watersheds in the province. As a result, commencing in 2000/01 and continuing into the first part of 2001/02, the corporation and its partners will complete detailed restoration plans on all of the 157 watersheds that were identified.

In 2000/01, $63.9 million was directed to strengthening sustainable forest management through the development of resource-planning and decision-making information and tools. Work continues on identifying the key knowledge gaps related to upcoming Timber Supply Review decisions, and on implementing strategic land-use plans. Investments under this strategic objective are being shifted to address these priority knowledge gaps.

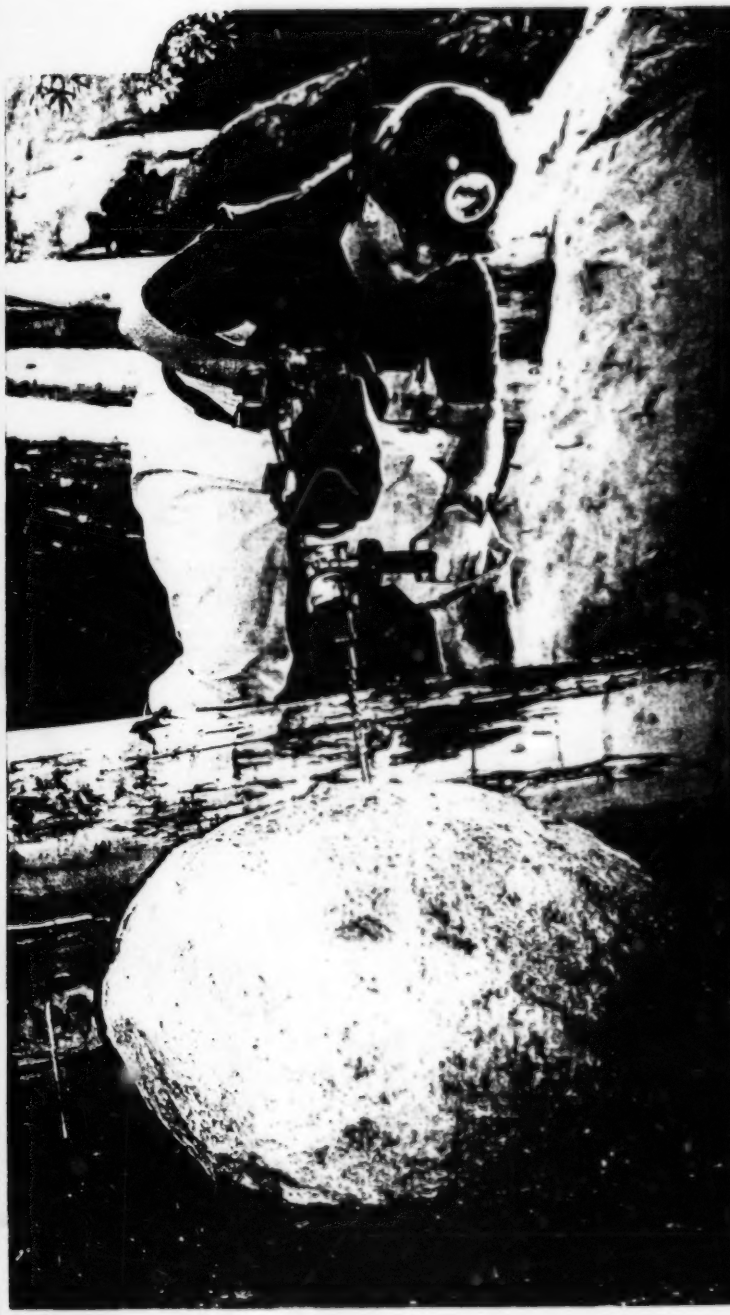
Investments of $20.2 million were allocated to implementing Forest Renewal BC's Value-added Strategy in 2000/01. Early forecasting of results from the corporation's 2000/01 investments in this strategic objective are approximately $110 million in additional sales by the B.C. primary and secondary manufacturing sectors. Other achievements include improved sector organization, knowledge of markets, the application of technology, access to financing, and the way in which strategic skill gaps are being met.

During 2000/01, through the Forest Worker Re-employment Services Program, re-employment assistance services were provided on an as-required basis. The board of directors of Forest Renewal BC has agreed to continue funding for this program into the future.

Finally, in the *Business Plan 2000/01*, the corporation allocated investments to a maximum of $14 million for programs to support forest-dependent communities that are experiencing major job loss. This funding helps communities and First Nations implement their forest economic development strategies, develop joint venture and other industry partnership opportunities, and increase the size of local revolving loan funds.

During 2000/01, the Forest Renewal BC board revisited the strategic objectives related to forest-dependent communities and workers, and established new directions for continued investments in these areas beginning in 2001/02.

STRATEGIC FRAMEWORK



FOREST RENEWAL BC'S STRATEGIC PLAN

The *Forest Renewal BC Strategic Plan 1999 – 2003* was published in August 1999. It identified the challenges and opportunities facing the forest sector, and described Forest Renewal BC's corporate direction and priorities for the next five years. Under that plan, the corporation's investments and operations continue to be guided by its vision, mandate, four corporate commitments and seven strategic objectives.

VISION

British Columbia is the world leader in enhanced, sustainable forest management for a full range of uses, with vibrant forest communities and a globally competitive forest sector.

MANDATE

To plan and implement a program of investments to renew the forest economy of British Columbia by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and strengthening local communities that depend upon the forest industry.

VALUES

Forest Renewal BC's values include accountability, collaboration and partnership, ecological integrity, innovation, local needs, and adaptability.

CORPORATE COMMITMENTS

Forest Renewal BC's four corporate commitments reflect its founding principles and core values, and they are incorporated into all of Forest Renewal BC's operational and investment decision-making processes. The corporation's strategic objectives may change over time, but these corporate commitments will remain constant:

Regional equity – Forest Renewal BC will allocate investments based on strategic priorities, in a manner that equitably addresses the needs of communities in each region of B.C.

First Nations participation – Over the next five years, Forest Renewal BC will maintain the proportion of First Nations participation that was achieved in 1997/98 (i.e., 7 per cent of investments and 12 per cent of employment).

Stakeholder involvement – Forest Renewal BC will continue to develop active partnerships with stakeholders to deliver its investments. The corporation will ensure transparent planning processes that involve the implementing partners and include consultation with all partner groups.

Employment creation – Forest Renewal BC is committed to creating and maintaining sustainable forest jobs.

SUPPORT OF GOVERNMENT PRIORITIES

Forest Renewal BC investments support key B.C. government priorities.

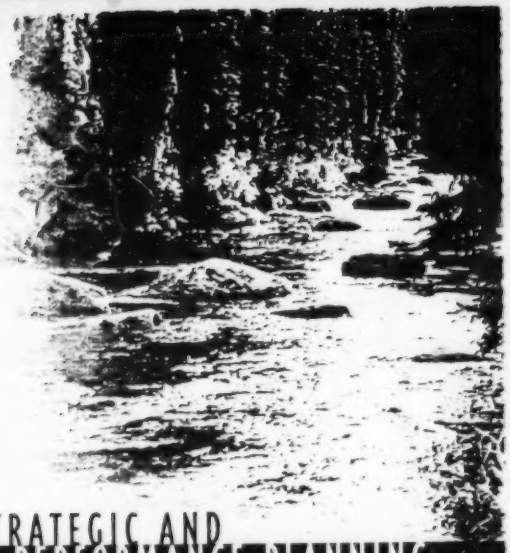
Through partners in industry and communities, Forest Renewal BC carries out investments to sustain and diversify the economy in forest-dependent communities. This includes providing employment opportunities in forestry for forest workers, and economic development opportunities for communities.

Funding for enhanced forestry and backlog silviculture work provides jobs today and increases the amount and productivity of second-growth forests available for potential future timber harvest.

Research investments and endowments, such as the Centre for Advanced Wood Processing at the University of British Columbia, the wood design program at the Kootenay School of the Arts, watershed management at Okanagan University College, and forestry research at the University of Northern British Columbia support educational opportunities for young British Columbians.

By recognizing all values in the forest, Forest Renewal BC contributes in a significant way to protecting B.C.'s environment. Major investments restore damaged watersheds to ensure clean drinking water and provide better fish habitat. Forest Renewal BC partners across the province carry out inventories and studies related to habitat and populations of endangered and at-risk species such as grizzly bears, marbled murrelets and caribou. Forest Renewal BC is a primary funding agency in B.C. for work on these species.

In addition, Forest Renewal BC's Private Forest Biodiversity Program, which is managed in conjunction with the Nature Trust of B.C., purchases and protects sites with unique or exceptional biodiversity attributes. The Crown Land-Use Planning Program supports the information and tools needed to make land-use decisions and bring about certainty over land use.



STRATEGIC AND PERFORMANCE PLANNING

FOREST-SECTOR ISSUES IN 2001/02

In looking ahead to 2001/02, Forest Renewal BC has identified a number of emerging issues and assessed their potential effects on the corporation's partners and key stakeholder groups.

Overall, the 2001/02 fiscal year presents considerable uncertainty to the corporation, its partners, and the forest sector in general, because of the issues that are summarized below.

- The Canada/U.S. Softwood Lumber Agreement expired on March 31, 2001, and the status of market access to the largest export market for B.C.'s forest products remains uncertain.
- The market for primary solid-wood and pulp-and-paper products looks to remain weak for at least the first portion of the new fiscal year.
- Stumpage revenues that accrue to Forest Renewal BC may be affected by continued weakness in market prices for forest products, and by B.C. government initiatives to pilot-test alternatives to the current value-pricing stumpage system.
- Concerns about the longer-term management of B.C.'s forests and future of the provincial forest industry continue to dominate forest-sector public policy discussions.
- International market access remains a key priority of the government and the forest sector. As a result, government is working with stakeholders to develop a practical, effective communications strategy, and to support certification initiatives.
- Much of the north-central portion of the province is experiencing its worst mountain pine beetle infestation in decades. Management and the board of Forest Renewal BC are working with the corporation's partners to develop and implement a strategy to help combat this problem. The investment needs of partners will likely change over time in response to fluctuations in the scope and intensity of the epidemic.

STRATEGIC OBJECTIVES AND KEY PERFORMANCE TARGETS, 2001/02 – 2003/04

Forest Renewal BC focuses its investments to achieve six corporate strategic objectives. A seventh strategic objective guides the corporation's internal operations. Performance targets for each of the strategic objectives have been established for the next three fiscal years, based on the *Strategic Plan 1999 – 2003*.

STRATEGIC OBJECTIVE 1
Sustainable Harvest

Forest Renewal BC will invest in the production of faster-growing, higher-quality stands of second-growth timber.

Key Five-Year Target: *Forest Renewal BC's investments to improve timber volume will increase the timber available for potential harvest by 25 million m³.*

Performance Targets for the Next Three Years: *In each of 2001/02, 2002/03 and 2003/04, increase the timber available for future harvest by 5 million cubic metres.*

STRATEGIC OBJECTIVE 2
Enhance Environmental Values

Forest Renewal BC will invest in restoring forest watersheds and in promoting environmental stewardship and strong environmental values in B.C.'s forests.

Key Five-Year Target: *Forest Renewal BC will work with its partners to complete the restoration of 20 per cent of the highest-priority watersheds that have been damaged or seriously threatened by past forest development activities.*

Performance Targets for the Next Three Years: *In 2001/02, Forest Renewal BC will invest in completing restoration plans for high-priority watersheds and continuing restoration work on unfinished watersheds: the target is to complete restoration work on as many as 40 watersheds by March 31, 2002. Forest Renewal BC will also invest in continuing restoration work on remaining watersheds during 2002/03 and 2003/04.*

STRATEGIC OBJECTIVE 3
Strengthen Sustainable Forest Management (Enhance Knowledge)

Forest Renewal BC will invest in the development of relevant, useable, timely information and tools that are keyed to achieving sustainable forest management.

Key Five-Year Target: *Forest Renewal BC will work with its partners to identify key gaps in knowledge for sustainable forest management. By April 1, 2003, these key knowledge gaps will be addressed to help improve future Timber Supply Reviews and Land and Resource Management Plans.*

Performance Targets for the Next Three Years: *During 2001/02, Forest Renewal BC will develop a plan to address the approximately 100 knowledge gap issues that have been identified in sustainable forest management relating to Timber Supply Reviews and Land and Resource Management Plans. The corporation will invest in continuing the work, throughout 2001/02, 2002/03 and 2003/04, to fill these knowledge gaps.*

STRATEGIC OBJECTIVE 4
Strengthen and Expand the Value-added Sector

Forest Renewal BC will strengthen and expand B.C.'s value-added sector through strategic investments with leading industry partners.

Key Five-Year Target: *Over the five years of the strategic plan, the growth in sales for B.C. firms benefitting from Forest Renewal BC investments will increase by an additional 10 per cent over the industry growth rate.*

Performance Targets for the Next Three Years: *During each of 2001/02, 2002/03 and 2003/04, Forest Renewal BC funding will foster growth in sales of B.C. firms benefitting from Forest Renewal BC investments, of 2 per cent each year above the overall secondary wood products manufacturing sector growth rate.*

STRATEGIC OBJECTIVE 5
Stimulate Workforce Development to Strengthen the Forest Sector

Forest Renewal BC will work with partners to identify key gaps in knowledge for labour market development, and to plan and implement appropriate actions to address emerging issues in the forest-sector workforce.

The board of directors approved this new strategic objective in September 2000. (The previous workforce objective focused on supporting workers in transition.) Building on this objective, a set of new investment strategies and performance measures is being developed.

During 2001/02, Forest Renewal BC will work with stakeholders and employers to develop a strategic framework that describes the sector's labour market, workforce and skills-development needs, and identifies the nature and scale of change that is needed to increase the sector's competitiveness.

Key Five-Year Target: *Forest Renewal BC will work with its partners to identify and fill key gaps in knowledge about labour market development in the forest sector. Starting in 2002/03, Forest Renewal BC will begin to take appropriate actions, with its partners, to address emerging workforce development needs.*

Performance Targets for the Next Three Years: *By April 1, 2002, the forest industry and its stakeholders will identify—through a series of sector workforce development plans—key knowledge gaps and priorities for action. By April 1, 2003, sectoral input will be synthesized into a published Labour Market Development Strategy for the B.C. forest sector, which will outline a common framework and action plan. By April 1, 2004, the infrastructure will be in place to support and sustain long-term labour market development for the forest industry.*

STRATEGIC OBJECTIVE 6
Sustain and Diversify Forest Community Economies

Forest Renewal BC will provide support to forest-dependent communities and First Nations to help sustain and diversify their forest economy.

This strategic objective was revised in September 2000 by the board of directors, to sharpen the focus on proactive involvement with forest-dependent communities before their economies are negatively affected by changes in the forest-sector. (The previous strategic objective focused on communities experiencing major job loss.)

Key Five-Year Target: *Forest Renewal BC investments will increase forest-related economic diversification and forest-sector employment in forest-dependent communities.*

Performance Targets for the Next Three Years:
In 2001/02, Forest Renewal BC expects to offer 75 per cent of all forest-dependent communities and 60 per cent of forest-dependent First Nations communities in B.C. an opportunity to participate in the Community Forest Economic Development Program. Forest Renewal BC investments will leverage an additional $10 million of investment capital into forest-dependent communities from private and public sources, maintain or create 350 forest-sector jobs, help underwrite more than 25 new forest-sector business partnerships (i.e., joint ventures), and support as many as 200 new forest-sector loans for creating, maintaining and expanding small businesses. In 2001/02, 2002/03 and 2003/04, Forest Renewal BC will provide regional-based investments to 75 per cent of forest-dependent communities and 60 per cent of forest-dependent First Nations communities for forest-sector economic development sustainability and diversification.

STRATEGIC OBJECTIVE 7
Increase Forest Renewal BC's Effectiveness and Efficiency

Forest Renewal BC will increase its effectiveness and efficiency to optimize the impact of its investments, while maintaining low administrative costs.

Key Five-Year Target: *Annual core corporate administration costs will not exceed 5 per cent of total program invested dollars.*

Performance Targets for the Next Three Years:
In 2001/02, 2002/03 and 2003/04, annual core corporate administration costs will not exceed 5 per cent of total program invested dollars.
In 2002/03, Forest Renewal BC will complete the implementation of its performance-management system and its evaluations.

KEY CORPORATE INITIATIVES FOR 2001/02

During the coming year, in addition to implementing its 2001/02 investment plan, Forest Renewal BC will undertake three key corporate initiatives:

Increased regional representation and accountability

In November 2000, Forest Renewal BC Board members and staff travelled to 16 communities and consulted with more than 300 people to obtain their views on community involvement in Forest Renewal BC. Participants included forest community mayors and elected officials, small and large forest companies, local economic development interests, First Nations, labour, and other stakeholders and partners.

Discussions with stakeholders and partners throughout the province revealed a consistent desire for greater regional representation on the corporation's board of directors and board advisory committees.

In response, three new representatives from northern B.C. were appointed to the board, and six members of the board will be designated regional representatives. They will help bring direct community input to the work of the board and its advisory committees, and will co-chair a regional advisory process.

These representatives will serve alongside sectoral representatives and be accountable to the stakeholders in each of the six forest regions. This will ensure that regional needs are reflected in board decisions relating to the entire Forest Renewal BC budget.

Community involvement in investment decisions

Stakeholders strongly affirmed the mandate of Forest Renewal BC. The overwhelming message, from all stakeholder groups, was support for the long-term objectives of renewing B.C.'s forest resources and the communities that depend on them.

The community consultation identified a strong community need for information at all levels of the decision-making processes. In 2001, the board will re-establish a regional advisory process, which will be co-chaired by the regional board members. As well, community groupings will be invited to participate in pilot projects that allow them to enter into agreements with Forest Renewal BC to manage local non-land-based investments.

Forest Renewal BC also heard a number of very positive suggestions for changes to enhance the level of community engagement in and the regional accountability of the corporation. The groups asked Forest Renewal BC to reconnect to its partnership with communities and First Nations. They also asked for more opportunities to partner in service delivery, and to discuss and hear about the land-use planning and forest management objectives for their regions. Communities expressed particular interest in the potential to diversify their local forest economies through Value-added and Communities investments.

Labour Force Development Initiative

During the spring and summer of 2000, Forest Renewal BC consulted with its partners to determine the nature and extent of future programs relating to the workforce.

Through the consultations, it was evident that there was a strong desire for Forest Renewal BC to play an ongoing role in supporting workforce development for the forest sector. Partners called on the corporation to broaden its programs to address the development needs of the forest-sector labour force. Prior to 2001/02, Workforce programs had focused on helping displaced forest workers.

To meet this broader mandate, Forest Renewal BC is undertaking the Labour Force Development Initiative. During 2001/02, the corporation will further assess the labour force development needs of the forest sector and create a program framework to address those needs.

2001/2002 INVESTMENT PLAN

CONSISTENT WITH ITS FIVE-YEAR STRATEGY, FOREST RENEWAL BC EXPECTS TO INVEST $279 MILLION DURING 2001/02 TO RENEW B.C.'S FORESTS, SUPPORT EXPANSION OF THE PROVINCE'S VALUE-ADDED INDUSTRY, AND SUPPORT FOREST WORKERS AND COMMUNITIES IN THEIR TRANSITION TO A NEW FOREST ECONOMY.

The 2001/02 investment plan is the final product of an extensive planning process. Initially, the Forest Renewal BC board reviews internal and external factors that are likely to affect the corporation, then establishes an overall investment target for the year and preliminary investment targets for each corporate strategic objective. Guided by these investment targets, the corporation undertakes detailed planning to select the best mix of programs and investment opportunities. These investment choices are based on the following principles:

- Funds will be invested in business areas and activities based on their potential contribution to achieving the corporation's strategic objectives, and on their cost. All other considerations are secondary.

- The corporation encourages partnership and will strive to maintain the proportion of investments that is managed through partnership arrangements.
- The investment planning process will be open and transparent. Forest Renewal BC's stakeholders will receive prior notice of the details and timetable of the investment planning process, and of their opportunities for input into that process.
- This planning process will produce investment strategies for each strategic objective and business-area program. Each program investment must demonstrate good potential for return on investment and value-for-dollar.

FORESTS AND ENVIRONMENT

The Forests and Environment Business Unit is responsible for directing and managing investments related to the corporation's first three strategic objectives: Sustainable Harvest, Enhance Environmental Values, and Strengthen Sustainable Forest Management.

The Forests and Environment component of the 2001/02 investment plan was created through a two-part planning and consultation process. First, local-area technical planning teams led by the Ministry of Forests and the Ministry of Environment, Lands and Parks developed and prepared resource management plans. These plans identify local resource management strategies, objectives and goals, as well as potential investment opportunities that are consistent with Forest Renewal BC's strategic objectives.

Second, Forest Renewal BC staff met with representatives of partner groups in each region, and with the corporation's Forest Resources and Environment advisory committees to develop recommendations on the appropriate program level of investments required to meet Forest Renewal BC's strategic targets. Using resource management plans and input from partner group meetings, Forests and Environment staff prepare a final regional investment plan for approval by the board.

STRATEGIC OBJECTIVE 1
Sustainable Harvest

Forest Renewal BC will invest in the production of faster-growing, higher-quality stands of second-growth timber.

Over the five-year strategic planning period that ends March 31, 2004, Forest Renewal BC has established a target to increase the timber available for potential harvest by 25 million cubic metres (m^3). During 2001/02, Forest Renewal BC expects to progress toward this target by making investments that will increase the timber supply by approximately 5 million m^3.

Forest Renewal BC's silviculture investments are strategically targeted to improve timber supply in two main ways:

- *Increasing the productivity and value of second-growth forests*—These investments help address the forest industry's timber supply requirements in the short to medium term (i.e., 15 to 40 years) by shortening the rotation age of some stands, optimizing the size of logs in other stands, and, in the longer term, increasing the availability of improved seedlings.
- *Increasing the forest growing area*—Investments in backlog reforestation increase the potential amount of timber available for future harvest in the longer term (i.e., 65 years or more).

Increasing the productivity and value of second-growth forests

Silviculture investments to improve the quantity and quality of wood harvested from British Columbia's second-growth forests include:

- $4.8 million to fertilize approximately 13,000 hectares of second-growth stands, which is expected to increase wood volume by 340,000 m^3 by the next rotation. This will allow managers the options of a shorter rotation or increased volume for harvest at the planned rotation age,
- $11.2 million for juvenile spacing treatments on approximately 11,567 hectares of forest land, which will contribute to the growth of optimum log size and a more even distribution

of harvest timing. Over the long term, that will increase the value of lumber products by between 5 per cent and 30 per cent throughout the rotation,

- $3.5 million for pruning treatments on approximately 2,163 hectares, which will increase the value of the wood in treated stands by between 5 per cent and 30 per cent,
- $1.1 million for forest surveys and prescriptions for some 36,200 hectares of forest land to determine the most appropriate future silvicultural treatments, and
- $5.9 million to continue and enhance the Tree Improvement Program by supporting gene conservation, the use of known high-quality seed sources, and the acquisition of knowledge to support decisions. Forest Renewal BC, through its partnerships with the British Columbia Forest Genetics Council, has invested in a variety of activities including:
  - support for tree breeding (e.g., testing and selecting pest-resistant, fast-growing, high-value trees from natural populations),
  - orchard seed production (to date, 203 projects have improved the ability of 72 seed orchards to supply high-quality seed to forest nurseries), and
  - technical support, which fosters better decisions about the production, use and geographic movement of seed.

In addition to its partnerships with the B.C. Forest Genetics Council, Forest Renewal BC has entered into a 12-year agreement with the Select Seed Company Ltd. to increase the use of enhanced seed for reforestation in B.C., by expanding existing seed orchards and creating new ones. Under the agreement, which began in 2001, approximately $17.2 million will be deposited into a reserve over the first four years of the agreement. Select Seed will draw from this fund over the term of the contract, as required. Use of the funds is repayable by Select Seed from its profits.

Increasing the forest growing area

Forest Renewal BC invests in the reforestation of backlog areas that were not satisfactorily restocked after past harvesting or natural disturbance, such as fires or pests. It also invests in the silvicultural treatment of backlog lands where the growth of crop trees is impeded by competition from other vegetation. Since 1996, Forest Renewal BC has invested more than $200 million in

SUSTAINABLE HARVEST - 2001/02 INVESTMENTS ($Millions)

	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	TOTAL
Increasing productivity: second-growth								
Enhanced Forestry	4.34	2.00	3.75	15.03	4.77	3.63	3.14	36.65
Tree Improvement	0.24	0.50	0.33	1.96	0.36	0.37	2.12	5.88
Research	0.11	0.02	0.18	1.88	0.22	0.08	2.03	4.51
Endowment	–	–	0.35	–	–	–	–	0.35
Increasing the forest growing area								
Backlog	6.02	4.16	21.77	7.55	4.27	4.42	1.19	49.38
Small Woodlands	–	–	0.70	0.70	–	0.70	0.57	2.67
Research	0.03	0.01	0.04	0.44	0.05	0.02	0.48	1.06
Performance measurement, evaluation and audit								
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	0.31	0.31
TOTALS	**10.74**	**6.69**	**27.11**	**27.55**	**9.66**	**9.22**	**9.84**	**100.80**
SELECTED OUTPUTS[1]								
Hectares treated - Enhanced Forestry	4,129	2,425	2,752	12,834	3,700	14,233	–	40,073
Hectares treated - Backlog	6,009	3,692	20,936	4,935	3,700	3,143	–	42,415
Research studies completed	1	–	1	8	1	–	9	20
Employment (person-years)	164	132	365	269	162	136	70	1,298

NOTES 1 Output estimates for major investment areas. Actual total outputs will be determined through the final workplans prepared for each management unit and will reflect local investment opportunities and operating conditions. Totals may not add due to rounding.

the Backlog Silviculture Program. Continued investments are needed to further reduce the size of the backlog area and maintain already treated sites.

During 2001/02, Forest Renewal BC will invest $49.4 million in its Backlog Silviculture Program. Approximately 42,000 hectares of backlog area will be treated, through activities such as site preparation, planting and brushing. As well, surveys will be conducted on more than 200,000 hectares to determine site conditions and the type of treatments that may be required.

Other Initiatives

In addition to these investments, the corporation will undertake three other initiatives during 2001/02 related to this strategic objective:

- Forest Renewal BC and the Federation of Woodlot Owners of B.C. will work to include woodlot owners more effectively and efficiently in Forest Renewal BC programs.
- The British Columbia Forest Genetics Council will continue to provide guidance for the Tree Improvement Program and make recommendations on the development of a more formal forest tree gene conservation program.
- Forest Renewal BC will continue working with the Ministry of Forests in the third year of developing silviculture strategies for each forest-level management unit in the province. These plans are jointly developed with industry, the Ministry of Environment, Lands and Parks, and the Ministry of Forests. Twelve strategies are planned for the 2001/02 fiscal year. These will provide the basis for defining management-unit objectives and priorities, and for making better investment decisions. As a result, Forest Renewal BC will be able to make strategic investment choices in silviculture activities to achieve desired timber supply, wood quality, and wildlife habitat supply objectives for every management unit in B.C.

STRATEGIC OBJECTIVE 2
Enhance Environmental Values

Forest Renewal BC will invest in restoring forest watersheds and in promoting environmental stewardship and strong environmental values in B.C.'s forests.

From its beginning, Forest Renewal BC has invested heavily in the restoration of watersheds that have been damaged or threatened by past forest harvesting activities or natural disturbances. Forest Renewal BC's *Strategic Plan 1999 – 2003* directs that future watershed restoration investments be focused on high-priority watersheds—those that provide domestic water supplies or that have high fisheries values and/or a high likelihood of restoration success.

In its strategic plan, Forest Renewal BC committed to work with its partners to invest in completing the restoration of 20 per cent, or 157, of the highest-priority watersheds. Beginning in 2000/01 and continuing into the first part of 2001/02, the corporation and its partners will complete detailed restoration plans on all of the 157 watersheds that have been identified. Forest Renewal BC anticipates completing restoration work on approximately 40 of these watersheds by March 31, 2002.

Protecting and restoring watersheds

To address needs in the highest-priority watersheds, Forest Renewal BC will invest approximately $47 million in watershed restoration during 2001/02 to improve watershed health and prevent future damage. The outputs of these investments will include:

- deactivating or rehabilitating close to 2,000 kilometres (km) of old logging roads to reduce the risk of sediment delivery to streams,
- restoring approximately 190 km of streams, resulting in cleaner water and restoration of fish habitat, and
- rehabilitating an estimated 600 hectares of riparian areas which are critical to higher water quality and fish habitat.

Environmental infrastructure

A new program, Ecotourism, will be implemented in 2001/02. The rapid growth of the ecotourism sector has created a need to develop planning tools and technologies, and provide education that will help the sector coexist with the traditional forest sector. This program is designed to meet those needs.

Increasing land area for biodiversity

Maintaining and enhancing biodiversity is a key element of protecting the full range of environmental values in B.C.'s forests and achieving the transition to sustainable forest management. Through the Private Forest Biodiversity Program, and in collaboration with the Nature Trust of B.C., Forest Renewal BC assists in the acquisition of interests in private lands. An advisory board helps the Nature Trust of B.C. and Forest Renewal BC determine planning priorities and identify investments. The objectives of the program are to:

- conserve sites with unique or exceptional biodiversity attributes,
- foster private- and public-sector funding and management partnerships, and
- provide biodiversity educational and research opportunities in British Columbia.

To date, Forest Renewal BC has invested in the acquisition of private properties in the Cariboo-Chilcotin, Thompson-Okanagan and Pacific forest regions. In 2000/01, the corporation developed an improved private-land forest biodiversity investment planning tool which is the decision framework for investment in this program. The tool is used to objectively evaluate the suitability of properties for program funding. For 2001/02, Forest Renewal BC has allocated $1.4 million for the acquisition of additional property and the management of the program.

In addition, the corporation established the Terrestrial Ecosystem Restoration Program for 2001/02. This program complements the riparian-ecosystem-focused Watershed

ENHANCE ENVIRONMENTAL VALUES — 2001/02 INVESTMENTS ($Millions)

	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	TOTAL
Protecting and restoring watersheds								
Watershed Restoration	3.01	4.95	4.68	23.66	3.48	5.22	1.97	46.96
Research	–	0.50	0.16	1.11	–	0.31	0.13	2.21
Endowment	–	–	0.47	–	–	0.21	–	0.68
Environmental infrastructure								
Recreation	0.04	–	–	–	–	–	–	0.04
Ecotourism	–	–	–	–	–	–	1.05	1.05
Increasing land area for biodiversity								
Private Forest Biodiversity	–	–	–	–	–	–	1.43	1.43
Terrestrial Ecosystem Restoration	–	–	–	–	–	–	2.00	2.00
Performance measurement, evaluation and audit								
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	0.26	0.26
TOTALS	**3.04**	**5.45**	**5.31**	**24.77**	**3.48**	**5.74**	**6.84**	**54.61**
SELECTED OUTPUTS[1]								
Hectares of riparian area rehabilitated	–	4	300	269	20	6	–	599
Kilometres of road deactivated/rehabilitated	155	507	192	601	170	364	–	1,989
Kilometres of stream restored	13	30	22	82	12	30	–	189
Research studies completed	–	2	1	4	–	2	–	9
Employment (person-years)	22	38	39	171	32	45	44	391

NOTES 1 Output estimates for major investment areas. Actual total outputs will be determined through the final workplans prepared for each management unit and will reflect local investment opportunities and operating conditions. Totals may not add due to rounding.

Restoration Program by addressing the need for restoration in both terrestrial and aquatic ecosystems. Investments in 2001/02 are expected to be approximately $2 million.

The Terrestrial Ecosystem Restoration Program issued a call for proposals in February 2001. Proposals will be selected for funding based on priorities developed in regional workshops in fall 2000, including ecosystems requiring repair because of past forest management practices or increased recreational access, and loss of grasslands from fire suppression.

The Terrestrial Ecosystem Restoration Program replaces the Ecosystem Restoration Pilot initiative that was funded in 2000/01.

STRATEGIC OBJECTIVE 3
Strengthen Sustainable Forest Management (Enhance Knowledge)

Forest Renewal BC will invest in the development of relevant, useable, timely information and tools that are keyed to achieving sustainable forest management.

Filling knowledge gaps is an important step in helping British Columbia practice sustainable forest management. As B.C.'s forest industry moves to more sustainable forest management and increased environmental certification of forest products, there is a greater need for accurate resource information and the development of new forest management tools. Under its strategic plan, Forest Renewal BC is committed to working with its partners to identify and develop tools and information to help improve resource planning. Such information is essential for making informed resource management decisions that promote sustainability.

Forest Renewal BC has been working with its partners to identify specific resource inventory needs and existing gaps throughout the province. By March 31, 2001, the corporation anticipated identifying and prioritizing approximately 100 key knowledge gaps and issues.

During 2001/02, Forest Renewal BC will continue to work with stakeholders to identify and define the critical knowledge gaps in each region (i.e., those which address sustainable forest management in relation to resource benefits and environmental values) and the priority issues and questions that need to be addressed, through investments to develop and test new approaches and decision-making tools. This will provide the framework for targeting future investments to specific key decisions, and for evaluating and reporting on the effects of these investments on forest management decisions.

Providing information and tools to improve existing strategic decision-making processes

Working with its forest-sector partners in 2001/02, Forest Renewal BC's investments will include funding of $57.4 million to generate resource information that is needed for strategic planning processes. For example, the corporation plans to carry out inventories over more than 8,600 km to identify fish and fish habitat of local and provincial significance which may be affected by forest development activities. Forest Renewal BC will also invest in 68 growth and yield inventories, which will provide more accurate information about timber growth, and approximately 20 terrain stability mapping inventories, which are used to help determine areas of operability. The latter two types of inventories will improve the quality of information available for upcoming Timber Supply Reviews, enabling better-informed decisions on allowable annual cuts.

This work will include activities that help set standards for collecting resource inventory information, developing central repositories for storing information gathered from field inventories, and providing standardized training for operational inventories. With these 2001/02 investments, most of the main frameworks needed for current inventories, atlases and databases will be completed.

The corporation will also invest:

- more than $9.7 million in research to fill knowledge gaps and improve our knowledge of forest-related processes and relationships. This investment will provide financial support for more than 170 ongoing and new research

and development projects, and it will build on the more than 210 research projects that have been completed to date, and

• $3.7 million in continued support for Crown land-use planning initiatives to enhance the strategic land-use planning process across the province.

Piloting and monitoring new approaches and tools for strategic planning and decision-making

Forest Renewal BC will continue to invest in the development and testing of better forest management techniques and approaches. These investments help address knowledge gaps and other issues by assessing the viability of using alternative approaches to resolve sustainable forest management issues. The investments will also improve B.C.'s ability to define and achieve sustainable forest management in a manner that meets the needs of the province and the expectations of global markets.

Investments in this business area will include:

• $12.3 million for planning and testing new approaches to forest management through six Innovative Forest Practices Agreements (IFPAs). Initiatives such as multi-stakeholder and community planning will involve a wider range of stakeholders and greater community support for decision-making. Building environmental values into planning tools will provide for more environmentally acceptable forest management practices. New approaches to harvesting and silviculture techniques are expected to increase wood production by between 5 per cent and 15 per cent over the term of the IFPA, and

• $1.9 million for four Enhanced Forest Management Pilot Projects (EFMPPs), to test new techniques in forest management and information gathering. For example, investments in EFMPPs will produce better vegetation inventory information and more accurate estimates of stand-growth indices, which will be used in the Timber Supply Review and in the implementation of land-use plans.

STRENGTHEN SUSTAINABLE FOREST MANAGEMENT – 2001/02 INVESTMENTS ($Millions)

	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	TOTAL
Providing information and tools								
Resource Information[1]	5.29	5.10	15.02	7.53	5.24	8.60	10.60	57.40
Research	0.29	0.65	1.03	3.28	0.44	1.06	2.99	9.73
Crown Land-Use Planning	–	–	–	–	–	–	3.70	3.70
Endowment	–	–	–	0.20	–	–	–	0.20
Piloting and monitoring new approaches								
IFPAs[2]	2.06	2.11	1.43	0.88	1.93	3.62	0.26	12.28
EFMPPs[3]	–	0.12	0.62	0.57	0.36	–	0.20	1.85
Performance measurement, evaluation and audit								
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	0.21	0.21
TOTALS	**7.64**	**7.97**	**18.10**	**12.46**	**7.97**	**13.28**	**17.95**	**85.37**
SELECTED OUTPUTS[4]								
Kilometres of fish streams inventoried	786	913	2,256	779	2,700	1,241	1	8,676
Wildlife habitat inventory studies completed	22	29	13	30	15	25	–	134
Vegetation inventory studies completed	6	6	6	5	2	8	15	48
Research studies completed	2	3	4	10	3	4	12	38
Employment (person-years)	73	62	160	84	81	100	167	727

NOTES 1 Starting in 2001/02, Resource inventory field and framework activities are now combined under one program – Resource Information.

2 IFPAs = Innovative Forest Practices Agreements.

3 EFMPPs = Enhanced Forest Management Pilot Projects.

4 Output estimates for major investment areas. Actual total outputs will be determined through the final workplans prepared for each management unit and will reflect local investment opportunities and operating conditions. Totals may not add due to rounding.

Forests and environment research

The Forest Renewal BC Research Program mission is "to add to the knowledge base essential to build a healthier, more productive forest sector, and to sustain the full range of resources and values derived from the forest."

The 2001/02 Research Program requires that research directly supports the corporate strategic objectives managed by the Forests and Environment Business Unit. Investments will be grouped into one of five investment theme areas that correspond to criteria established by the Canadian Council of Forest Ministers. These are:

- management of ecosystem productivity and condition,
- biodiversity conservation and management,
- watershed processes and management,
- society and stewardship, and
- information management and extension.

VALUE-ADDED

The Value-added Business Unit is responsible for managing Forest Renewal BC's value-added investments.

These investments are guided by the corporation's Value-added Strategy and ongoing consultations with the value-added sector. The corporation receives input on the investment strategy at two annual planning events. At one, the Value-added Industry Planning Conference, sector participants review progress against the Value-added Strategy and may recommend changes to programs or to the allocation of funds among programs. The second event is a meeting of Forest Renewal BC's key business partners who are responsible for delivery of its Value-added programs. The goal of this meeting is to improve program delivery and better coordinate activities to address the marketing, training, technology and business needs of the value-added sector.

STRATEGIC OBJECTIVE 4
Strengthen and Expand the Value-added Sector

Forest Renewal BC will strengthen and expand B.C.'s value-added sector through strategic investments with leading industry partners.

The value-added sector has tremendous potential to strengthen and diversify B.C.'s forest economy and the economies of forest-dependent communities, by getting more value (e.g., jobs, profits, and related benefits) from every tree cut. Supporting the expansion of the value-added sector is a key element of Forest Renewal BC's vision—a five-year, $100 million strategy—for a modern forest-sector economy.

The corporation is entering the third year of its Value-added Strategy, so an in-depth analysis of the strategy is now being planned.

In 2000/01, Forest Renewal BC's board approved the establishment, over four years, of a $15 million "evergreen" agreement (the B.C. Wood Legacy Reserve agreement) for B.C. Wood Specialties Group. The purpose of the agreement is to provide a long-term, stable platform for the value-added sector once the corporation's current investment in B.C. Wood Specialties Group's marketing and training initiatives wind-down in March 2004. Funding for this agreement is being set aside in a reserve fund over the next three years.

Forest Renewal BC's investment in the Value-added Strategy totals $20.2 million in 2001/02, with $16.2 million in program investments and $4 million reserved for the B.C. Wood Legacy. These investments will help the wood products manufacturing sector become a more effective global competitor by improving its operating efficiencies and increasing sales.

The corporation uses a return-on-investment process in reviewing and approving all proposals. Specifically, Forest Renewal BC examines the effect on sales growth or improved operating efficiencies to the value-added industry as a result of an investment. While the corporation is confident in the targets and results being reported, it also recognizes the need to continue to improve the measurement process, so it is working with its industry partners to refine the assumptions and methodology used to measure the effects of its investments on the value-added industry.

Most of Forest Renewal BC's value-added investments are made on a province-wide basis and are cost-shared with industry. At present, Forest Renewal BC's value-added investments are split: approximately 20 per cent go to primary industry, which is a critical supplier of fibre to the secondary industry, and 80 per cent go directly to secondary industry. The corporation's investments in the value-added sector include support for:

- improving sector organization,
- increasing knowledge and the development of new markets and products,
- improving the application of new or existing technologies,
- improving access to leveraged financing, and
- skills training.

Improving sector organization

During 2001/02, Forest Renewal BC intends to invest $1.9 million to improve the coordination and communication among primary and secondary operations, and to increase public awareness of the value-added industry and its importance to the provincial economy. These investments will also strengthen industry associations by helping them:

- develop capacity and achieve cost savings,

- participate in industry trade shows, such as the B.C. Construction Show, and
- provide a unified voice to government and other stakeholders on issues that affect the value-added sector.

Some of Forest Renewal BC's key partners in this business area include the Central Interior Wood Processors' Association, the Interior Value Added Wood Association, the Log Building Industry Association of B.C., Kootenay WoodVine, the Independent Lumber Remanufacturers' Association, the Interior Lumber Manufacturers' Association, the Northern Forest Products Association, and the Kutenai House Press publication *Crosscut, B.C.'s value-added wood journal.*

Forest Renewal BC will continue to support fibre facilitator positions to increase the flow of raw material to value-added manufacturers.

Increasing knowledge and the development of markets

In 2001/02, Forest Renewal BC anticipates investments of $6.2 million in marketing initiatives to raise awareness of B.C.'s value-added industry in world markets, create more demand for B.C. wood products, and improve market access and product opportunities. Other investments will help the industry develop new products, pursue product certification, and improve end-user knowledge of building codes and standards. This marketing support is expected to bring increased sales of wood products in domestic and export markets, and to support the development of new-generation products by the industry.

Overall, based on the experience of 2000/01, Forest Renewal BC expects its 2001/02 primary industry marketing investments to increase sales by $65 million, and its secondary industry marketing investments to produce some 2,000 market leads and increase sales by about $54 million. These sales targets are revised from those originally anticipated by Forest Renewal BC partners, as a result of the dynamics of the marketplace (i.e., currency fluctuations and uncertainty about the future of the Canada/U.S. Softwood Lumber Agreement) and refinements to the return-on-investment system. The corporation is still finalizing targets for some new initiatives.

Some of Forest Renewal BC's key partners in this business area include the B.C. Wood Specialties Group, the Canadian Wood Council – WoodWORKS!, Zairai Promotional Group, SPF Group, the Coast Forest and Lumber Association, the Canadian Plywood Association, and the Cooperative of Small Wood Businesses.

Improving the application of new and existing technologies

Forest Renewal BC plans to invest $3 million this year to provide technical assistance and expert advice to help at least 50 firms apply or modify new technology. These investments, along with training and research-related investments, will help improve operating efficiencies for secondary manufacturers by an expected $12 million. Industry benefits from these technology investments are expected to come from increased profitability based on better product quality, productivity or fibre recovery, and the development of new manufacturing processes or the diversification of product lines.

Some of Forest Renewal BC's key partners in this business area include Forintek Canada Corp., Zairai Coast Applied Research Program, and the B.C. Advanced Systems Institute.

Improving access to leveraged financing

In 2001/02, through a $2.1 million investment in business development initiatives, Forest Renewal BC expects to provide business planning and mentoring services to at least 40 firms, and to leverage at least $5 million in new investments for improving the viability and competitiveness of these value-added businesses.

Some of the corporation's key partners in this business area include the Vancouver Island Wood Processors' Cooperative, Community Futures Development Corporations, the Wood Enterprise Centre, and the University College of the Cariboo.

Skills training

Forest Renewal BC anticipates investing $3 million this year in value-added skills training. This funding will support approximately 9,000 person-days of training for value-added workers and managers across the province to meet the training priorities identified by industry.

Some of Forest Renewal BC's key partners in this business area include WoodLINKS (wood-industry education for high schools), B.C. Wood's Value-Added Development Centre, the Kootenay School of the Arts, and UBC's Centre for Advanced Wood Processing and its Advanced Paper Making Initiative.

Other Initiatives

In addition to the investments noted above, Forest Renewal BC will be working on several other initiatives during 2001/02, including:

- increasing the number of value-added firms participating in Forest Renewal BC investments,
- improving the interaction between forest industry sectors,
- working with the value-added sector to evaluate and review progress under the Value-added Strategy, and to design modifications as needed,
- increasing First Nation business participation in value-added programs, and
- following-up on the November 2000 report *Evolution of the North American Home Building Industry: An Opportunity for Value-Added Manufacturing Investment in B.C.*

STRENGTHEN AND EXPAND THE VALUE-ADDED SECTOR - 2001/02 INVESTMENTS ($Millions)

	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	TOTAL
Improving sector organization								
Industry Infrastructure	–	–	–	–	–	–	1.85	1.85
Increasing knowledge and development of markets								
Market Development[1]	–	–	–	–	–	–	6.18	6.18
Improving the application of technologies								
Value-added Technology[2]	–	–	–	–	–	–	1.75	1.75
Innovation Development	–	–	–	–	–	–	0.80	0.80
Research	–	–	–	–	–	–	0.23	0.23
Endowment	–	–	–	–	–	–	0.23	0.23
Improving access to leveraged financing								
Value-added Business Development	–	–	–	–	–	–	2.10	2.10
Skills training								
Value-added Training[1]	–	–	–	–	–	–	3.00	3.00
Performance measurement, evaluation and audit								
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	0.06	0.06
TOTALS	–	–	–	–	–	–	16.19	16.19
SELECTED OUTPUTS[3]								
Incremental sales increase to primary industry ($Millions)								65
Incremental sales increase to secondary industry ($Millions)								54
Number of market leads generated								2,000
Improved operating efficiencies ($Millions)								12
Investment leveraged ($Millions)								5
Training provided (person-days)								9,000

NOTES 1 Totals do not include $4 million set aside for the B.C. Wood Specialties Group (split between Market Development and Value-added Training). This amount is included in the Reserve for Finance Purposes.
2 Value-added Technology includes the existing Technology Transfer Program and other new value-added technology initiatives.
3 Output estimates for major investment areas. Actual total outputs will be determined through individual investment contracts. Totals may not add due to rounding

WORKFORCE AND COMMUNITIES

The Workforce and Communities Business Unit is responsible for directing and managing investments for the corporation's fifth and sixth strategic objectives: Stimulate Workforce Development to Strengthen the Forest Sector; and Sustain and Diversify Forest Community Economies.

STRATEGIC OBJECTIVE 5
Stimulate Workforce Development to Strengthen the Forest Sector

Forest Renewal BC will work with partners to identify key gaps in knowledge for labour market development, and to plan and implement appropriate actions to address emerging issues in the forest-sector workforce.

In 2000/01, Forest Renewal BC consulted with forest-sector stakeholders about the corporation's future role in the Workforce area. Partners pointed to the need for a more coordinated approach to the labour force, and saw Forest Renewal BC as a key facilitator in the development of a forest-sector labour force development strategy. The board modified the strategic objective for 2001/02 onward, to reflect this new direction.

Working with stakeholders, Forest Renewal BC will develop a strategic framework that describes the sector's labour market, workforce, and skills-development needs. The framework will also outline the nature and scale of change necessary to increase sectoral competitiveness.

By April 1, 2002, as part of the framework, Forest Renewal BC will identify key knowledge gaps and priorities for action, by industry subsector, through a series of draft Sector Workforce Development Plans. The drafts are intended to encourage discussion about priority issues and possible responses for the forest-sector labour market as a whole.

Forest Renewal BC investments under this strategic objective in 2001/02 are also expected to result in a minimum of nine pilot and/or research projects to support the development of the strategy.

Investments will focus on four key areas:

- ***Capacity building***—To help create partnerships and networks among Forest Renewal BC stakeholders who will identify and address key forest-sector workforce issues.
- ***Workforce development***—To support stakeholder participation in programs that will address emerging skills gaps or support the diversification of the forest sector.
- ***Labour market information***—To work with stakeholders in developing tools and collecting information on the forest-sector labour force.
- ***Consultation***—To support initiatives that encourage public consultation on forest-sector labour force development issues.

Other Initiatives

Adjustment assistance

In 2001/02, Forest Renewal BC will provide re-employment services to long-term forest-sector workers who are facing permanent displacement as a result of a mill closure or permanent shift reduction.

Bursaries

In 2001/02, through Forest Renewal BC's Bursary Program, $100,000 will be made available to eligible B.C. students who are involved in forestry-related studies.

STRATEGIC OBJECTIVE 6
Sustain and Diversify Forest Community Economies

Forest Renewal BC will provide support to forest-dependent communities and First Nations to help sustain and diversify their forest economies.

Forest Renewal BC's *Strategic Plan 1999 – 2003* calls for the corporation to focus its community-based investments on regional groupings of forest-dependent and First Nations communities that have been negatively affected by downsizing or industry closures in the forest sector. Amendments to the strategic direction of Forest Renewal BC's Communities investments will mean a greater emphasis on working with communities before they feel the effects of economic downturns.

	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	TOTAL
Labour force development								
Labour Force Development Initiative	–	–	–	–	–	–	7.00	7.00
Bursary	–	–	–	–	–	–	0.10	0.10
Adjustment programming								
Forest Worker Re-employment Services	–	–	–	–	–	–	2.00	2.00
Performance measurement, evaluation and audit								
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	0.07	0.07
Investments being phased-out								
Forest Worker Transition[1]	–	–	–	–	–	–	0.15	0.15
TOTALS	–	–	–	–	–	–	9.32	9.32
SELECTED OUTPUTS[2]								
Number of pilot/research projects funded								9

NOTES 1 Program wind-up costs.
2 Output estimates for major investment areas. Actual total outputs will be determined by client demand and through individual investment contracts. Totals may not add due to rounding.

The proposed business direction for 2001/02 capitalizes on the previous four years of Communities investments. The Communities Business Unit continues to work with community groups to maximize the direct and combined benefits of Forest Renewal BC and other leveraged funding for community sustainability and diversity.

In 2001/02, Forest Renewal BC will invest $10.3 million to help communities diversify within the forest sector. In addition to the targets specified below, these investments are expected to result in 350 new and maintained forest-sector jobs, and leverage an additional $10 million of investment capital into forest-dependent communities from private and public sources.

Increasing forest community knowledge and decision-making

In 2001/02, Forest Renewal BC will directly support forest-dependent communities and First Nations work toward sustainability through a $9 million Forest Community Economic Development Program investment portfolio. The investments will help these communities strengthen their forest economies, both in response to changes that have already taken place in the forest sector, and in anticipation of changes to come. These investments will also help communities and industry build relationships to enhance and strengthen local resilience and global competitiveness.

Investments will directly support initiatives such as creating and implementing economic development plans and transition and mitigation-response strategies, developing joint ventures, and partnering with lenders and other investors.

In 2001/02, Forest Renewal BC expects to offer assistance to 75 per cent of the forest-dependent municipalities in the province, under the Forest Community Economic Development Program.

Increasing the participation of First Nations in the forest economy

Forest Renewal BC's Forest Community Economic Development Program also supports the development and implementation of forest-sector economic development and diversification plans with First Nations communities. In 2001/02, $4 million of the $9 million program investment portfolio will continue to fund these activities. Part of this will be directed to encouraging development of commercial joint ventures and partnerships between First Nations and forest-sector businesses. These

investments are expected to help launch more than 25 new forest-sector business partnerships (i.e., joint ventures). In 2001/02, under the Forest Community Economic Development Program, Forest Renewal BC expects to assist as many as 60 per cent of all First Nations forest-dependent communities in B.C.

Increasing the financing capacity of communities

As forest-dependent communities work to stabilize and diversify their economies, access to business financing becomes a critical issue. Forest Renewal BC will continue to partner with community-based lending institutions to increase the amount of capital in local revolving loan funds for forest-sector businesses. The corporation is currently partnering with 39 community lending institutions: 33 Community Futures Development Corporations, five Aboriginal Capital Corporations, and the Columbia Basin Trust. Forest Renewal BC's combined investment and leveraging of loan funds with its partnering lending institutions has created a provincially capitalized loan program valued at approximately $33 million.

In 2001/02, Forest Renewal BC will continue to support community-based lending investments with the addition of $1.2 million to the Forest Community Business Program investment portfolio, which is expected to result in as many as 200 forest-sector small-business start-up or expansion loans. Additional support will include developing financing information packages, new partnerships with lending institutions, and access to financing and small-business information seminars. It will also include work with community regional economic groupings to help them secure financing for commercial ventures that support or contribute to the forest sector.

As well, Forest Renewal BC will continue its investment partnership with the Municipal Finance Authority of B.C. by maintaining a loan program capitalized at $2.5 million (included in Forest Renewal's Reserve for Financing Purposes). Through this investment, loans are made available to municipal governments to develop infrastructure that supports forest-sector economic development opportunities that have been identified within their strategic plans.

SUSTAIN AND DIVERSIFY FOREST COMMUNITY ECONOMIES – 2001/02 INVESTMENTS ($ MILLIONS)

	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	TOTAL
Increasing forest-community knowledge and decision-making								
Forest Community Economic Development	0.50	0.57	0.50	1.36	0.78	0.76	0.53	5.00
Increasing the participation of First Nations								
Forest Community Economic Development	0.39	0.44	0.39	1.08	0.68	0.61	0.41	4.00
Increasing the financing capacity of communities								
Forest Community Business	0.12	0.13	0.12	0.33	0.20	0.18	0.14	1.23
Performance measurement, evaluation and audit								
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	0.06	0.06
TOTALS	**1.01**	**1.14**	**1.01**	**2.77**	**1.66**	**1.55**	**1.14**	**10.29**
SELECTED OUTPUTS[1]								
Number of communities assisted								189
Number of businesses assisted								200
Number of partnerships (e.g. joint ventures) started								25
Additional investments leveraged ($Millions)								10

NOTES 1 Output estimates for major investment areas. Actual total outputs will be determined through individual investment contracts. Totals may not add due to rounding.

	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	TOTAL
Agency Support								
New Forest Opportunities Ltd.	–	–	–	2.39	–	–	–	2.39
TOTALS	–	–	–	2.39	–	–	–	2.39

STRATEGIC OBJECTIVE 7
Increase Forest Renewal BC's Effectiveness and Efficiency

Forest Renewal BC will increase its effectiveness and efficiency to optimize the impact of its investments, while maintaining low administrative costs.

Forest Renewal BC continues to improve its organizational efficiency and effectiveness. During 2001/02, the corporation will complete the implementation of its performance-management system. As in the last two years, Forest Renewal BC anticipates achieving its target of keeping core administrative costs to within 5 per cent of total program investments.

With the completion of its corporate restructuring and organizational downsizing, Forest Renewal BC is a relatively small investment agency focused on optimizing performance from its investments. During the coming year, the corporation will continue to explore additional opportunities to further improve efficiency and effectiveness.

AGENCY SUPPORT

In 2001/02, Forest Renewal BC will provide approximately $2.4 million in operational funding to New Forest Opportunities Ltd., which was established in 1997 to help Coastal forest workers displaced during the recent forest-sector downturn. The agency assesses eligible workers, equips them with the new skills they need, and gives them priority placement for work on Forest Renewal BC-funded land-based projects. (See Appendix 2 for additional information on New Forest Opportunities Ltd. activities in 2001/02.)

FISCAL PLAN

WHEN FOREST RENEWAL BC WAS CREATED IN 1994 UNDER THE *BC FOREST RENEWAL ACT*, A FORMULA FOR CALCULATING INCREMENTAL STUMPAGE WAS DERIVED FROM THE *ACT*. THIS REPRESENTS FOREST RENEWAL BC'S SOLE SOURCE OF REVENUE, ASIDE FROM THE INVESTMENT INCOME IT EARNS FROM THAT REVENUE.

Notwithstanding fluctuations in the forest economy, it was generally understood that Forest Renewal BC could expect stumpage revenue of approximately $400 million annually. In a strong economy over its first four years, Forest Renewal BC's revenues did range between $450 million and $490 million. Program investments in the first two years were modest, as the corporation developed its strategic framework and launched new programs and initiatives. By 1996/97, the program investment total was close to that of incoming revenue.

During this growth phase, Forest Renewal BC accumulated a surplus (which peaked in March 1997 at $850 million) that included a Reserve for Program Continuity of $400 million against downturns in the industry. Around this time,

the forest economy showed some early signs of weakening. But on the strength of the accumulated surplus, Forest Renewal BC was able to maintain a strong presence in the sector during the downward cycle that followed.

Over the past few years, stumpage revenues have fluctuated extensively because of volatile market conditions and changes in the stumpage formula. For example, in 1999/00, Forest Renewal BC benefitted from an unforeseen market turnaround, receiving statutory forest revenue of $301 million—an almost 200 per cent increase over budget. But that recovery was short-lived, and the forest industry is experiencing another significant downturn. With lumber prices for standard-length, standard-and-better grade spruce-pine-fir 2x4s often having fallen below US $200 per thousand board feet in 2000/01, final stumpage revenues are expected to be much lower than 1999/00.

Forest Renewal BC continues to make investments to pursue the targets presented in its *Strategic Plan 1999 – 2003*. For 1999/00, total program investments for the corporation were $314.5 million against a budget of $343.3 million. For 2000/01, final actual investments are projected to come in below budget by a similar margin. Program investments enumerated in this 2001/02 business plan call for spending of approximately $279 million. The overall decline in investments is consistent with the board's current five-year strategic plan, and is also a move toward a more sustainable level of investment. However, with revenue being significantly less than investments in the short term, Forest Renewal BC is drawing-down on its equity. As shown in the table below, by the end of 2001/02, the corporation's total equity is expected to be $264.2 million, with

THREE YEAR FISCAL PLAN ($MILLIONS)

	2000/01 Business Plan	2000/01 Forecast	2001/02 Business Plan	2002/03 Target
REVENUE				
Total Stumpage Revenue[1]	251.4	168.1	139.8	147.8
Investment Income	15.4	25.8	14.8	8.0
TOTAL REVENUE	**266.8**	**193.9**	**154.6**	**155.8**
PROGRAM INVESTMENTS	301.6	275.1	279.0	272.9
Corporate Administration – Core	15.0	13.3	14.2	13.9
Restructuring	0.9	0.8	–	–
Agency Administration	1.2	1.2	0.7	0.7
TOTAL INVESTMENTS	**318.7**	**290.4**	**293.9**	**287.5**
EXCESS OF EXPENDITURES OVER REVENUE	**(51.9)**	**(96.5)**	**(139.3)**	**(131.7)**
Reserve for Program Continuity	361.1	352.2	211.5	79.7
Reserve for Multi-Year Agreements	22.2	25.2	22.6	18.3
Reserve for Finance Purposes	16.6	26.1	30.1	34.6
Unappropriated Equity	–	–	–	–
TOTAL EQUITY AVAILABLE	**399.9**	**403.5**	**264.2**	**132.6**

NOTES 1 Stumpage revenue forecast has been based on the most recent forecast provided by the Ministry of Forests.

Stumpage revenue assumptions (expressed on a fiscal-year basis):				
Volume harvested – Forest Renewal BC direct (millions m^3)	57.85	58.57	58.70	58.70
Exchange rate (CDN$/US$)	0.70	0.67	0.67	0.68
Price of pulp (per tonne)	670	690	645	650
Price of spruce-pine-fir 2x4 standard-and-better	319	220	241	256
Price of spruce-pine-fir 2x10 standard-and-better	386	285	291	306
Price of cedar 2x4 standard-and-better	400	n/a	n/a	n/a
Price of hemlock baby squares	600	573	600	600
Price of hemlock cargo	n/a	370	353	364

the Reserve for Program Continuity falling to $211.5 million. Further, recently revised forestry revenue forecasts do not anticipate any major improvements in lumber and chip prices over the next two years. As the table indicates, based on the current assumptions regarding revenue and consistent investment patterns, this will result in the continuing use of Forest Renewal BC's Reserve for Program Continuity.

The outcomes of the current Canada/U.S. Softwood Lumber Agreement negotiations and a new market-based pricing pilot will hopefully help clarify some of the current uncertainties.

The corporation is working with government to alleviate the revenue pressures, and to find a way to sustain its current investment levels. If no relief to the revenue position is forthcoming, the Forest Renewal BC board will reassess the investment program. This could have a long-term negative effect on the forest industry, which will, in turn, be felt by Forest Renewal BC's partners and the provincial economy in general.

REVENUE

Total revenue for 2001/02 is forecast to be $154.6 million, which includes $139.8 million in stumpage revenue and $14.8 million in investment income.

Stumpage revenue

Stumpage revenue for the corporation is dependent on harvest levels, lumber prices and Canada/U.S. exchange rates that prevail throughout the year. Two years ago, new variables were incorporated into the province's revenue forecasting model, and Forest Renewal BC absorbed any negative changes in pricing. These structural changes leave the corporation more susceptible to market volatility, with a particular sensitivity to the price of pulp.

After experiencing a recovery in 1999/00, market conditions weakened again in 2000/01. Peaking at well above US$400 per thousand board feet last year, standard spruce-pine-fir 2x4s are currently just breaking the US$200 barrier. Other lumber products have experienced similar declines, and although industry forecasters see prices rising, the rate of increase can be described, at best, as gentle.

Forest Renewal BC benefits from a low Canada/U.S. exchange rate. The less-than-anticipated rise in the Canadian dollar, combined with relatively high pulp prices, has offset some of the falling lumber prices.

Investment income

Under the *Forest Renewal Act*, the Ministry of Finance and Corporate Relations acts as Forest Renewal BC's fiscal agent and is responsible for investing the corporation's surplus funds. The ministry has full discretion in making investment decisions, within broad parameters set by the Forest Renewal BC board, and the corporation receives no investment-specific information. The investment portfolio effectively operates as a blind trust to avoid any actual or perceived conflict of interest over investments. Income generated from these investments is recorded as investment income in Forest Renewal BC's financial statements and is available to fund corporate programs. Investment income is also generated from funds held by partners, as well as from funds held in endowments and other long-term investments.

For 2000/01, final actual investment income is expected to total approximately $26 million. The variance from the budget of $15 million is due to conservative estimates being used in the *Business Plan 2000/01* and higher-than-anticipated returns achieved on investments.

For 2001/02, investment income is estimated at $14.8 million, which reflects the reduction in the cash reserves as the accumulated surplus is used to fund operations.

EXPENDITURES

Forest Renewal BC expenditures are made up of program investments and corporate administration.

Corporate Administration and Restructuring

In 1998/99, Forest Renewal BC took action to reduce corporate administration expenditures, in response to the downturn in the forest sector. The corporation made a commitment,

under its seventh strategic objective, to keep its core corporate administration costs below 5 per cent of its investments. This has been achieved for the last two years, and the most recent forecast has Forest Renewal BC meeting this target again for 2001/02.

In addition, the board set aside $2 million for a restructuring begun in 1999/00. This process was completed during 2000/01, resulting in the reduction of the corporation's staff from 193 in 1998/99 to fewer than 100 by the end of 2000/01.

EXPENDITURES ($ MILLIONS)

	2000/01 Business Plan	2000/01 Forecast	2001/02 Business Plan
Program Investments	301.6	275.1	279.0
Corporate Administration – Core	15.0	13.3	14.2
Corporate Restructuring	0.9	0.8	–
Administration – Agencies	1.2	1.2	0.7
TOTALS	**318.7**	**290.4**	**293.9**

CORPORATE ADMINISTRATION ($ MILLIONS)

	2000/01 Business Plan	2000/01 Forecast	2001/02 Business Plan
Corporate Administration – Core			
Executive Offices and Committees	1.1	1.0	1.1
Forests and Environment	3.2	3.1	3.2
Workforce and Communities	1.2	1.0	0.9
Value-added	0.8	0.8	0.9
Administration	0.4	0.4	0.5
Corporate Planning and Evaluation	0.9	0.5	0.7
Communications	1.6	1.5	1.5
Finance	1.5	1.5	1.7
Corporate Services	4.5	3.5	3.7
TOTALS	**15.0**	**13.3**	**14.2**
Restructuring Costs	0.9	0.8	–
STAFF	93	96	96

SEGREGATED EQUITY

Forest Renewal BC has entered into several long-term commitments that will result in expenditures in this year and in future years. Since the corporation is prohibited by the *Forest Renewal Act* from borrowing, and since cyclical swings in the forest sector will create volatility in the corporation's revenue, Forest Renewal BC has segregated a portion of its equity into restricted reserves. These reserves were established to enable the corporation to provide a relatively stable level of program investments in years when revenues are low, and to honour future commitments. These reserves include:

Reserve for Program Continuity

The Reserve for Program Continuity segregates equity for years when revenue does not cover expenditures. It was established by the board in 1996 at $400 million. It is estimated that this reserve will be drawn-down by some $140 million in 2001/02, leaving a reserve balance of approximately $212 million at March 31, 2002.

Reserve for Multi-Year Agreements

A significant number of Forest Renewal BC's land-based investments are funded under Multi-Year Agreements (MYAs). Introduced in 1998/99, MYAs are commitments that provide ongoing funding over several years for eligible activities. The multi-year commitment provides stability for the proponents who are performing the work, and enables them to plan with some certainty over several years. This in turn creates more secure employment and helps stabilize industry activity and community economic health during downturns in the forest sector.

Since many of the activities covered by MYAs are sensitive to weather and biological windows, the agreements have some built-in flexibility to allow proponents to take advantage of better-than-expected conditions. This means that expenditures can vary significantly from year to year within that MYA.

Each year, the corporation allocates as much as 75 per cent of its land-based investments to MYAs. At the beginning of each fiscal year, the Reserve for Multi-Year Agreements is increased by the amount of the annual funding allocated to MYAs. As the agreement investments are incurred, the reserve balance is drawn-down.

STRATEGIC OBJECTIVE	2000/01 FORECAST	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	2001/02 TOTAL
SUSTAINABLE HARVEST									
Increasing productivity: second growth									
Enhanced Forestry	35.59	4.34	2.00	3.75	15.03	4.77	3.63	3.14	36.65
Tree Improvement	5.12	0.24	0.50	0.33	1.96	0.36	0.37	2.12	5.88
Research	3.84	0.11	0.02	0.18	1.88	0.22	0.08	2.03	4.51
Endowment	0.19	–	–	0.35	–	–	–	–	0.35
Increasing forest growing area									
Backlog	50.46	6.02	4.16	21.77	7.55	4.27	4.42	1.19	49.38
Small Woodlands	1.37	–	–	0.70	0.70	–	0.70	0.57	2.67
Research	–	0.03	0.01	0.04	0.44	0.05	0.02	0.48	1.06
Performance Measurement, Evaluation and Audit									
Performance Measurement, Evaluation and Audit	0.24	–	–	–	–	–	–	0.31	0.31
Investments being phased-out									
Bridge Replacement	0.01	–	–	–	–	–	–	–	–
Watershed Restoration - Access	0.15	–	–	–	–	–	–	–	–
SUBTOTAL	**96.98**	**10.74**	**6.69**	**27.11**	**27.55**	**9.66**	**9.22**	**9.84**	**100.80**
ENHANCE ENVIRONMENTAL VALUES									
Protecting and restoring watersheds									
Watershed Restoration	54.09	3.01	4.95	4.68	23.66	3.48	5.22	1.97	46.96
Ecosystem Restoration Pilots	0.47	–	–	–	–	–	–	–	–
Research	2.97	–	0.50	0.16	1.11	–	0.31	0.13	2.21
Endowment	0.31	–	–	0.47	–	–	0.21	–	0.68
Environmental infrastructure									
Recreation	0.27	0.04	–	–	–	–	–	–	0.04
Ecotourism	–	–	–	–	–	–	–	1.05	1.05
Increasing land area for biodiversity									
Private Forest Biodiversity	3.99	–	–	–	–	–	–	1.43	1.43
Terrestrial Ecosystem Restoration	–	–	–	–	–	–	–	2.00	2.00
Enhancing stewardship values									
Recreation	0.89	–	–	–	–	–	–	–	–
Performance Measurement, Evaluation and Audit									
Performance Measurement, Evaluation and Audit	0.20	–	–	–	–	–	–	0.26	0.26
Investments being phased-out									
Fisheries Renewal BC	1.09	–	–	–	–	–	–	–	–
SUBTOTAL	**64.28**	**3.04**	**5.45**	**5.31**	**24.77**	**3.48**	**5.74**	**6.84**	**54.61**
STRENGTHEN SUSTAINABLE FOREST MANAGEMENT									
New tools and information for strategic resource planning									
Resource Information[1]	51.90	5.29	5.10	15.02	7.53	5.24	8.60	10.60	57.40
Research	8.01	0.29	0.65	1.03	3.28	0.44	1.06	2.99	9.73
Crown-Land Use Planning	2.91	–	–	–	–	–	–	3.70	3.70
Endowment	0.41	–	–	–	0.20	–	–	–	0.20
Piloting and monitoring new approaches									
IFPAs[2]	13.18	2.06	2.11	1.43	0.88	1.93	3.62	0.26	12.28
EFMPPs[3]	3.02	–	0.12	0.62	0.57	0.36	–	0.20	1.85
Research	0.16	–	–	–	–	–	–	–	–
Performance Measurement, Evaluation and Audit									
Performance Measurement, Evaluation and Audit	0.21	–	–	–	–	–	–	0.21	0.21
Investments being phased-out									
Resource Inventory - Framework (TUS)	1.57	–	–	–	–	–	–	–	–
Resource Inventory - Operational Requirements	2.41	–	–	–	–	–	–	–	–
Research - Operational Requirements	0.14	–	–	–	–	–	–	–	–
SUBTOTAL	**83.93**	**7.64**	**7.97**	**18.10**	**12.46**	**7.97**	**13.28**	**17.95**	**85.37**
STRENGTHEN AND EXPAND THE VALUE-ADDED SECTOR									
Improving sector organization									
Industry Infrastructure	1.88	–	–	–	–	–	–	1.85	1.85
Increasing knowledge and development of markets									
Market Development	9.07	–	–	–	–	–	–	6.18	6.18
Improving the application of technologies									
Value-added Technology[3]	2.47	–	–	–	–	–	–	1.75	1.75
Innovation Development	0.78	–	–	–	–	–	–	0.80	0.80
Research	0.54	–	–	–	–	–	–	0.23	0.23
Endowment	–	–	–	–	–	–	–	0.22	0.22
Improving access to leveraged financing									
Value-added Business Development	1.35	–	–	–	–	–	–	2.10	2.10
Skills training									
Value-added Training	3.89	–	–	–	–	–	–	3.00	3.00
Performance Measurement, Evaluation and Audit									
Performance Measurement, Evaluation and Audit	0.07	–	–	–	–	–	–	0.06	0.06
SUBTOTAL	**20.04**	–	–	–	–	–	–	**16.19**	**16.19**

STIMULATE WORKFORCE DEVELOPMENT	2000/01 FORECAST	Cariboo-Chilcotin	Kootenay-Boundary	Omineca-Peace	Pacific	Skeena-Bulkley	Thompson-Okanagan	Province-wide	2001/02 TOTAL
Labour force development									
Labour Force Development Initiative	–	–	–	–	–	–	–	7.00	7.00
Bursary	–	–	–	–	–	–	–	0.10	0.10
Adjustment programming									
Forest Worker Re-employment Services	1.42	–	–	–	–	–	–	2.00	2.00
Performance Measurement, Evaluation and Audit									
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	–	0.07	0.07
Investments being phased-out									
Forest Resource Technology	0.75	–	–	–	–	–	–	–	–
Forest Worker Transition	0.56	–	–	–	–	–	–	0.15	0.15
SUBTOTAL	**2.74**	–	–	–	–	–	–	**9.32**	**9.32**
SUSTAIN AND DIVERSIFY FOREST COMMUNITY ECONOMIES									
Increasing forest community knowledge									
Forest Community Economic Development	1.23	0.50	0.57	0.50	1.36	0.78	0.76	0.53	5.00
Increasing the participation of First Nations									
Forest Community Economic Development	1.71	0.39	0.44	0.39	1.08	0.68	0.61	0.41	4.00
Increasing the financing capacity of communities									
Forest Community Business	1.70	0.12	0.13	0.12	0.33	0.20	0.18	0.14	1.23
Performance Measurement, Evaluation and Audit									
Performance Measurement, Evaluation and Audit	–	–	–	–	–	–	–	0.06	0.06
SUBTOTAL	**4.64**	**1.01**	**1.14**	**1.01**	**2.77**	**1.66**	**1.55**	**1.14**	**10.29**
Agency Support									
New Forest Opportunities Ltd.	2.00	–	–	–	2.39	–	–	–	2.39
Jobs and Timber Accord Advocate Inc.	0.50	–	–	–	–	–	–	–	–
SUBTOTAL	**2.50**	–	–	–	**2.39**	–	–	–	**2.39**
TOTAL EXPENDITURES	**275.11**	**22.43**	**21.24**	**51.53**	**69.94**	**22.77**	**29.79**	**61.28**	**278.98**
Province-wide Allocation		6.31	5.98	14.51	19.69	6.41	8.39	(61.28)	–
TOTAL (includes Province-wide Allocation)		**28.75**	**27.22**	**66.03**	**89.63**	**29.18**	**38.17**	–	**278.98**
Percentage of land-based total (strategic objectives 1, 2 and 3)		10%	10%	25%	31%	10%	14%	–	100%

NOTES 1 2001/02 Resource Inventory field and framework activities are combined under one new program – Resource Information.

2 IFPAs = Innovative Forest Practices Agreements.
EFMPPs = Enhanced Forest Management Pilot Projects.

3 Value-added Technology includes the existing Technology Transfer Program and other new value-added technology initiatives.

In addition, the Reserve for Multi-Year Agreements includes $17.2 million that was committed under a new agreement in 2000/01 to provide funds over several years for the provincial Tree Improvement Program, to ensure it can be taken through to completion.

In 1998, the corporation also committed a long-term total of $10 million to the acquisition of private forest land with significant biodiversity or ecological attributes. Since the availability and acquisition of these properties cannot be forecast with any certainty, the spending patterns are difficult to predict. (In 2001/02, $1.4 million has been allocated.) As land is acquired, the reserve is drawn-down.

Reserve for Finance Purposes

The Reserve for Finance Purposes was initially established to fully cover all loan guarantees made by Forest Renewal BC. As at March 31, 1999, the reserve was redefined to also set aside funds for long-term investments that have been provided to organizations to enable them to finance long-term program objectives. These investments include the managed funds held by B.C. universities to fund Forest Renewal BC's Endowment Program. During 2000/01, Forest Renewal BC negotiated two new agreements—one reduces an older commitment, the other will help support the value-added sector into the future. The balance of the reserve is forecast to be $30.1 million at March 31, 2002.

APPENDICES

PRO FORMA FINANCIAL STATEMENTS

Forest Renewal BC Pro Forma Consolidated Financial Statements include the assets, liabilities, revenues and expenditures of Forest Renewal BC and its 100-per-cent-owned subsidiaries, New Forest Opportunities Ltd. and the Office of the Jobs and Timber Accord Advocate Inc. The latter office was permanently dissolved on Oct. 31, 2000.

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

for the year ending March 31, 2002 ($Thousands)
(unaudited)

	2002	2001*
REVENUE		
Statutory forest revenue	139,846	168,090
Investment income	14,790	25,768
	154,636	193,858
EXPENDITURES		
Program expenditures	278,980	275,112
Administration	14,917	15,232
	293,897	290,344
Excess (Deficiency) of Revenue over Expenditures	(139,261)	(96,486)

*Forecast

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ending March 31, 2002 ($Thousands)
(unaudited)

	2002	2001*
ASSETS		
Current Assets		
Cash and short-term investments	169,211	321,621
Due from Province of B.C.	73,395	60,706
Accountable advances	30,707	30,336
Prepaid expenses	–	–
	273,313	412,663
Long-Term Investments	16,205	16,205
Capital Assets	1,743	1,654
	291,261	430,522
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	2,000	2,000
Project expenditures payable	25,000	25,000
	27,000	27,000
Net Assets		
Reserve for program continuity	211,526	352,222
Reserve for multi-year agreements	22,635	25,200
Reserve for finance purposes	30,100	26,100
Unappropriated equity	–	–
	264,261	403,522
	291,261	430,522

*Forecast

PRO FORMA CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

for the year ending March 31, 2002 ($Thousands)
(unaudited)

	Reserve for Program Continuity	Reserve for Multi-Year Agreements	Reserve for Finance Purposes	2002 Total	2001* Total
Balance, beginning of year	352,222	25,200	26,100	403,521	500,007
Excess (deficiency) of revenue over expense	(136,696)	(2,565)	–	(139,261)	(96,486)
Net transfers	(4,000)	–	4,000	–	–
Balance, End of Year	211,526	22,635	30,100	264,260	403,521

*Forecast

NEW FOREST OPPORTUNITIES LTD. 2001/02 ACTIVITIES

New Forest Opportunities Ltd. was established in November 1997 as a wholly-owned subsidiary of Forest Renewal BC, to employ displaced forest workers, First Nations and other qualified local workers on Forest Renewal BC-funded land-based projects in Coastal B.C. These projects include enhanced forestry (i.e., pruning, spacing and brushing), watershed restoration, resource inventory, and activities related to recreation resources.

As a one-stop access point for displaced forest workers and First Nations in the Pacific Forest Region, New Forest offers job placement opportunities, job placement-related training, and access to Forest Renewal BC's Forest Worker Re-employment Services Program.

Through the New Forest Job Placement Program, workers' skills and qualifications are assessed, training is provided when necessary, and workers are linked to available job opportunities on Forest Renewal BC-funded land-based projects.

In the 2000/01 work season, New Forest filled approximately 1,700 work placements on some 200 projects. New Forest anticipates a further 1,700 placements for the 2001/02 work season.

First Nations represent an important component of the New Forest workforce: more than 50 per cent of the job placements in the 2000/01 season involved First Nations workers. (New Forest was recognized for its First Nations activities by the First Nations Summit in June 2000.)

In November 2000, New Forest announced its implementation of an International Standards Organization (ISO) 9000—2000 Quality Management System. New Forest is one of the first B.C. government agencies to pursue international certification for how services are delivered. New Forest expects to be operating under the ISO 9000 standard by April 2001.

FOREST RENEWAL BC BOARD OF DIRECTORS

Roger Stanyer – Duncan
Chief Executive Officer and Chair of the Board, Forest Renewal BC

Peter Beulah – Penticton
President, Greenwood Forest Products (1983) Ltd.

Ric Careless – Gibsons
Executive Director, B.C. Spaces for Nature

Linda Coady – Vancouver
Vice-President, Environmental Enterprise, Weyerhaeuser Canada Ltd.

Lee Doney – Victoria
Deputy Minister, Ministry of Forests

David Haggard – Port Alberni
National President, IWA-Canada

Donald Hayes – North Cowichan
President, Hayes Forest Services Ltd.

JoAnne Kineshanko – Lumby
Mayor, Village of Lumby

Ron Lind – Prince George
President, Dollar Saver Lumber

Blair Mayes – Prince George
General Manager, Dunkley Lumber

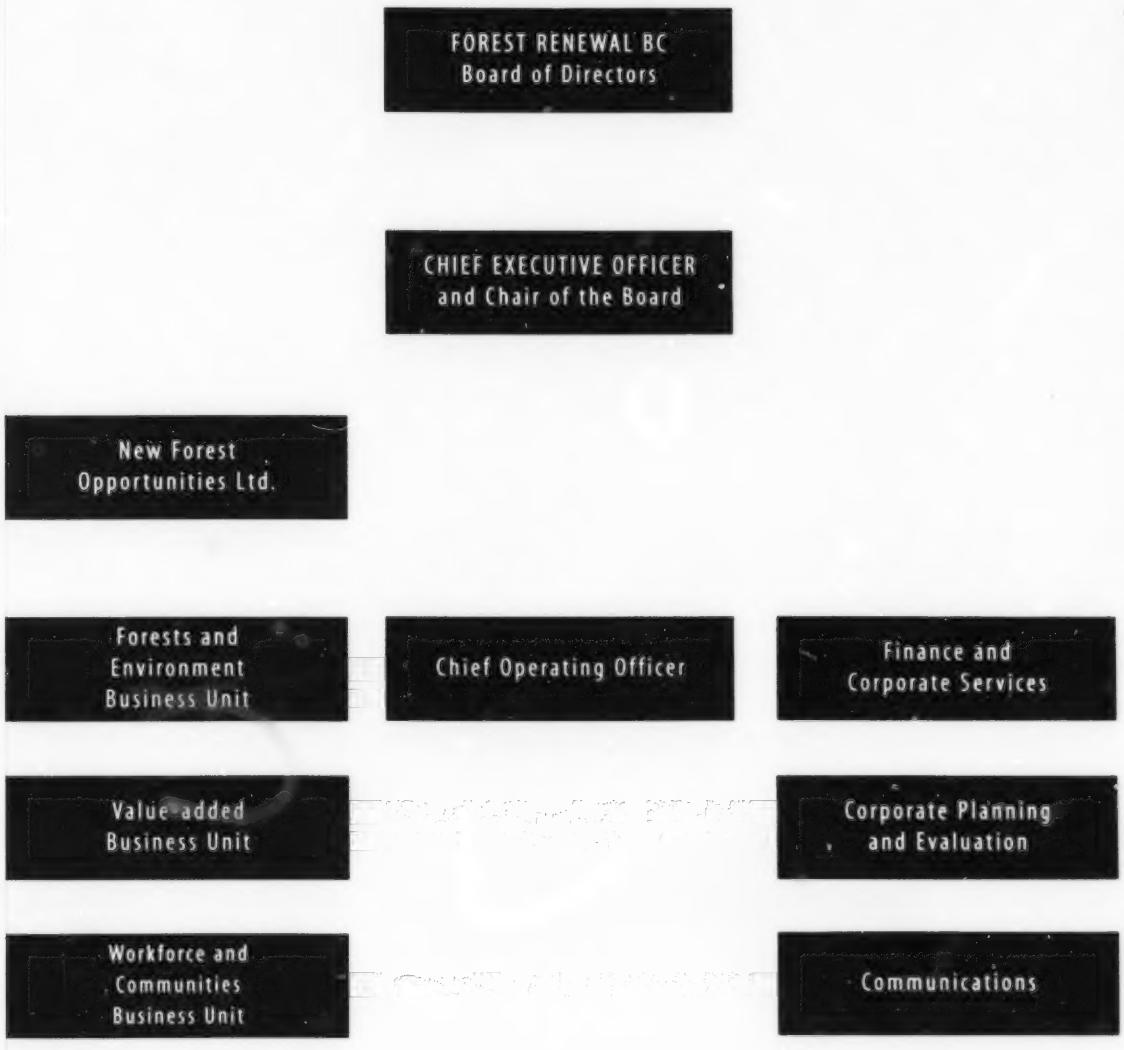
Garry Merkel – Kimberley
Vice-Chair, Columbia Basin Trust

Dave Neads – Anahim Lake
Executive Director, Cariboo-Chilcotin Conservation Society

Brian Northup – Smithers
Mayor of Smithers

George Watts – Port Alberni
Principal, Imhahup Consulting Group

FOREST RENEWAL BC ORGANIZATIONAL STRUCTURE



PROGRAM DIRECTORY

Forests and Environment Programs

Backlog Silviculture Program is a province-wide initiative to remove competing brush and reforest Crown forest land that was harvested before 1987 and not satisfactorily restocked with commercial tree species.

Crown Land-Use Planning Enhancement Program supports the development of information, data, planning and monitoring tools to improve Crown land-use planning, which in turn, fosters certainty for all resource users.

Terrestrial Ecosystem Restoration Program tests the potential to expand watershed restoration activities to address a broader range of forest productivity, biodiversity and habitat restoration needs. (This program grew out of the ***Ecosystem Restoration Pilot***.)

Enhanced Forestry Program increases the productivity of the province's forests by investing in stand tending, which includes spacing, brushing, pruning and fertilizing young forest stands, and in forest health activities.

Innovative Forest Practices Agreements and Enhanced Forest Management Pilot Projects test innovative or new treatment regimes designed to improve forest productivity and enhance or maintain employment.

Private Forest Biodiversity Program, carried out in collaboration with the Nature Trust of B.C., supports the acquisition of interests in private lands to conserve biodiversity. The goals of the program include conserving sites that have unique or exceptional biodiversity attributes, fostering private- and public-sector funding and management partnerships, and providing biodiversity education and research opportunities.

Recreation Program helps develop forest recreation and tourism opportunities, such as access trails and campgrounds, and increases public awareness, appreciation and responsible stewardship of B.C.'s forests.

Resource Information Program increases the quantity and improves the quality of resource and field inventory information to improve forest resource planning and management. Program activities include the development of inventories for all of the non-timber elements that make up B.C.'s forests, such as fish and wildlife habitat, soils, minerals, recreational use, and aboriginal culture and heritage.

Small Woodlands Program expands the area of productive forest lands in the province by informing landowners about forest management opportunities and encouraging them to manage their lands for small-scale forestry. This will increase rural incomes and local jobs, and help stabilize rural communities.

Tree Improvement Program increases the productive capacity of forests while it helps maintain their genetic diversity. Seeds are taken from the most adaptable trees in both wild and cultivated stands and used to breed seedlings for qualities such as rapid growth, disease resistance, and high density.

Watershed Restoration Program accelerates the recovery of watersheds that have been damaged by timber harvesting. Activities include deactivating and rehabilitating roads, stabilizing slopes and gullies, and restoring fish and aquatic habitat.

Workforce Programs

Labour Force Development Initiative will develop a strategic framework describing the sector's labour market, workforce, and skills development needs. Created in partnership with sector stakeholders, the framework will outline the nature and scale of change necessary to enhance sectoral competitiveness.

Forest Worker Re-employment Program gives eligible unemployed, displaced forest workers access to the tools and resources they need to make a transition to new employment, either within or outside of the forest industry.

Bursary Program encourages training in forest-related studies by providing a $1,000 bursary to eligible students.

Communities Programs

Forest Community Business Program provides loans and performance planning support to small businesses in the forest sector. Strengthening small businesses helps forest communities diversify, stabilize and expand their economic and employment opportunities.

Forest Community Economic Development Program works to expand, diversify or otherwise support the economies of forest communities through community-developed economic development planning, project feasibility studies, and transition planning.

Value-added Programs

Forestry Innovation Development Program invests in the development or adaptation of commercially viable new forestry products or processes.

Technology Transfer Program offers information about new technologies to owners of value-added businesses and provides technical information and in-plant technical assistance to help make the businesses more competitive.

Value-added Business Development Program provides loans through a chartered bank to new or expanding value-added wood manufacturing firms that would not otherwise be able to obtain that type of financing. The program also provides specific business planning and mentoring services to firms that are looking for new investment capital.

Value-added Industry Infrastructure Program helps the value-added industry diversify and grow, by funding association development activities, needs analyses, member surveys, wood forums and conferences, and other industry initiatives.

Value-added Marketing Program increases domestic and international awareness and sales for products manufactured by B.C.'s value-added sector, by helping the province's value-added producers jointly market their products.

Value-added Training Program helps workers and employers find the skills training—from entry-level to highly technical—that they need for jobs in the value-added sector.

Corporation-wide Programs

Forest Renewal BC also invests in programs that span several business investment areas:

Endowment Program increases our understanding of the key issues facing the forest sector, both now and in the future, by building teaching and research capacity at B.C.'s degree-granting post-secondary institutions.

Research Program expands our knowledge of all aspects of the forest sector by supporting research and extension in such areas as the forest environment, forest management, adding value to forest products, and the impact of new forest practices on biodiversity, timber supply and jobs.